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**FISCAL IMPACT STATEMENT**

**LS 7356**

**BILL NUMBER:** HB 1583

**NOTE PREPARED:** Jan 15, 2009

**BILL AMENDED:**

**SUBJECT:** County and municipal property taxes.

**FIRST AUTHOR:** Rep. Culver

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill allows political subdivisions to finance an inter-local agreement for provision of a service by increasing the maximum levy of the political subdivision that provides the service and decreasing the maximum levy of the political subdivision to which the service is provided. It provides for the same levy adjustments in the absence of an inter-local agreement upon petition to the Department of Local Government Finance. The bill provides that a county may not levy property taxes in a municipality for services the municipality provides itself.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, local taxing units may enter into contracts with each other to buy, sell, or exchange services, supplies or equipment. Starting in CY 2010, this bill would allow the unit providing the service, at its discretion, to increase its maximum permissible property tax levy while the unit receiving the service would decrease its maximum permissible levy by the same amount. When the agreement is terminated, the maximum permissible levies would be adjusted accordingly.

Even if a prior specific contract does not exist between two taxing units and they are providing services to each other, the bill permits the units, if they wish, to jointly petition the DLGF to increase the maximum permissible property tax levy of the unit providing the service and to decrease that of the unit receiving the

service. The units would have to notify the DLGF when they decide to terminate agreement so the department may adjust the maximum levies.

In either case, the taxing units would have to notify the Department of Local Government Finance (DLGF) of the agreement or its termination by December 1 of the year the units entered into or terminated the agreement so the Department can make the levy adjustment for property taxes payable in the immediately succeeding calendar year.

For taxes first due and payable in 2010 and after, the bill also provides that a county may not levy property taxes in a municipality for services the municipality provides for itself.

The long term impact of this bill is expected to be positive. Taxpayers in municipalities would no longer be taxed twice for the same service. Additionally, local taxing units can agree to share resources ultimately leading to more efficient use of these resources.

**State Agencies Affected:** DLGF

**Local Agencies Affected:** Local taxing units.

**Information Sources:**

**Fiscal Analyst:** David Lusan, 317-232-9592.